

REBUTAL

~~Direct~~ Testimony

Olen W. Spurgeon

Owner

Sundale Utilities, Inc.

OFFICIAL FILE

ILL. C. C. DOCKET NO. 00-0513/0514

Witness

Date 1-17-01

Reporter

1 Q Can you state your name and business address for the record?

2 A My name is Olen Spurgeon. My business address is 160 N. Wilmor Road,
3 Washington, IL 61571.

4 Q What is your occupation?

5 A I am the owner of Sundale Utilities, Inc.

6 Q Please summarize your professional background.

7 A I received a BSCE from Bradley University in 1955 and have been the owner of
8 Spurgeon Construction, Inc. since 1973. I have been active in the management
9 of the utility companies since 1980. I am also a state certified potable water
10 operator for at least twenty years.

11 Q What is the purpose of your testimony?

12 A My testimony will outline my disagreements with the ICC staff adjustments made
13 to our original rate increase request and the reasons for my disagreement with
14 those changes. I have shown my adjustments on the attached exhibits.

15 Q Would you please explain the addition to salaries and wages made on
16 the proforma income statements for Sundale Sewer, Washington Estates
17 Water and Washington Estates Sewer?

18 A As shown on Exhibit 2, I have no disagreement with the disallowed salaries as
19 proposed by the ICC staff. However, replacement workers were hired for Kevin
20 Collins and Stacy Janssen. These employees were Rich Rieger and Ocie
21 Dawkins. Since a salary was not included for Rich Rieger, and the salary allowed
22 for Ocie Dawkins represented only 1/2 of a year, an adjustment is necessary to
23 allow for these replacement salaries. Exhibit 3 outlines the calculations used to
24 arrive at the total additional salaries that should be included in the proforma
25 statements.

26 Q Would you please explain the addition to rental expense made on the
27 proforma income statement for Sundale Sewer?

28 A We have added back the \$56,701 of rental expense paid on the Highland Hills
29 Plant that was deducted by the ICC Staff. This rental expense is a legitimate
30 expense of the Company, and must be paid through the year 2002. Our
31 Exhibit 4 is a copy of the ICC order issued in docket 88-0046 which became
32 effective in 1983 as shown by the ICC's amortization schedule. It is my belief
33 that this expense should be allowed as it is real and authorized by the ICC
34 through the end of 2002. I would not object to a decrease in Sundale Sewer's
35 rate in 2003 when the lease expires, absent any further rate filings, to reflect the
36 reduction in expense at that time. Our exhibits 10 and 11 show a proforma
37 income statement and rate calculation for the year beginning January 1, 2003.

38 **Q What are the effects of your adjustments to the rates requested for**
39 **Sundale Sewer and Washington Estates?**

40 A The rate change for Washington Estates Sewer Service would be to the flat charge
41 from \$3.00 to \$4.15 as shown on Exhibit 8. Our adjustments to the Sundale Sewer
42 proforma income statement would result in an increase to \$31.99 for residential
43 and commercial nonmetered usage, with a 2.88 charge for commercial usage
44 in excess of 5,000 GPM. Our original rate filing for Sundale Sewer requested
45 a fixed rate of \$30.75, which the Staff adjusted to \$24.64.
46 Our adjustments to the Washington Estates Water Service would result in an
47 increase of residential and customer charges to \$5.00, in agreement with the
48 ICC staff proposal. However, the usage charge would change from \$2.02 to
49 \$2.18 with our proposed expense changes.
50 These rates are detailed on our Exhibits 7, 8, and 9.

51 **Q Does this conclude your testimony?**

52 A Yes it does.

SUNDALE UTILITIES, INC.
SUNDALE SEWER DIVISION
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 1999

	Staff Pro Forma Proposed	Company Adjustments	Adjustment To Proposed Increase	Company Proforma Proposed	Revenue Change	Percent Revenue Change
Operating Revenues	\$264,207		\$76,020	\$340,227	\$76,020	28.77%
Uncollectible Accounts	196			196		
Salaries & Wages (3)	89,312	19,319		108,631		
Purchased Power	27,287			27,287		
Fuel for Power Production	3,101			3,101		
Rental: Bldg & Real Property (4)	12,900	56,701		69,601		
Transportation	2,881			2,881		
Insurance	7,175			7,175		
Miscellaneous	79,235			79,235		
Taxes other than Income	9,909			9,909		
Depreciation	10,976			10,976		
Rate Case Amortization	974			974		
Total Operating Expense Before Income Taxes	243,946			319,966		
State Income Tax	864			864		
Federal Income Tax	1,671			1,671		
Total Operating Expenses	246,481			322,501		
NET OPERATING INCOME	\$17,726			\$17,726		
Staff Rate Base (1)				\$194,732		
Staff Overall Rate of Return (2)				9.10%		

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.03A, Column (D)

(2) Source: ICC Staff Exhibit 2.00, Schedule 2.07

(3) Source: Company Exhibit 2, Column E

(4) Source: Company Exhibit 4 (ICC docket 88-0046 in effect 1983)

SUNDALE UTILITIES, INC.
SALARY EXPENSE ADJUSTEMENT - ALL DIVISIONS
FOR THE TEST YEAR ENDED DECEMBER 31, 1999

LINE NO	DESCRIPTION	AMOUNT	SUNDALE SEWER SUBTOTALS	PORTION (65%)	WE SEWER PORTION (17.5%)	WE WATER PORTION (17.5%)
A	B	C	D	E	F	G
1	Salary expense per Sundale		\$149,778	\$97,356	\$26,211	\$26,211
2	Salaries disallowed:					
3	Collins, Kevin	\$15,750				
4	Janssen, Stacy	13,721				
5	Spurgeon, Erma	5,617				
6	Spurgeon, Howard	11,017				
			(46,105)	(29,968)	(8,068)	(8,068)
7	New salaries:					
8	Spurgeon, Olen	26,000				
9	Palmer, Martin	2,100				
10	Rieger, Rich	12,635				
			40,735	26,478	7,129	7,129
11	Increased salaries:					
12	Blanch, Julie	5,630				
13	Dawkins, Ocie (1/2 year)	17,086				
			22,716	14,765	3,975	3,975
14	Salary expense per Sundale		167,124	108,631	29,247	29,247
15	Salary expense per ICC		137,403	89,312	24,045	24,045
16	Additional salary adjustment		\$29,721	\$19,319	\$5,202	\$5,202

Sources:

Lines 1-9; 12 & 15: ICC Staff Exhibit 1.00 Schedule 1.08A Page 2 of 2

Lines 10;13 & 16: Company Exhibit 3

SUNDALE UTILITIES, INC.
ESTIMATED REPLACEMENT SALARIES
ALL DIVISIONS

EMPLOYEE	EARNINGS THROUGH OCT 27,2000	EARNINGS NOV & DEC	ESTIMATED TOTAL EARNINGS	WAGES ALREADY INCLUDED	ESTIMATED ANNUAL WAGES
Rich Rieger	9,035	3,600	12,635	0	12,635
Ocie Dawkins	23,343	4,669	28,012	(10,926)	17,086
TOTAL ADDITIONS TO WAGES					<u>\$29,721</u>

Source: Company earnings report for 1/1/00 through 10/27/00

Sundale Sewer Corp.
 Staff Adjustment to Lease Payment
 For The Test Year Ending December 31, 1987

Docket No. 88-0046
 Exhibit AD 2.16
 Page 2 of 2
 Late-filed

Page 1

DOCKET NOS.

00-0513/00-0514

CONSOLIDATED

CO. EXHIBIT 4

Date	Principal	Interest	Balance
.....
(A)	(B)	(C)	(D)
1/1/83	\$0.00	\$0.00	\$444,722.00
7/1/83	3,004.63	37,801.37	441,717.37
1/1/84	3,260.02	37,545.98	438,457.35
7/1/84	3,537.13	37,268.87	434,920.22
1/1/85	3,837.78	36,968.22	431,082.44
7/1/85	4,163.99	36,642.01	426,918.45
1/1/86	4,517.93	36,288.07	422,400.52
7/1/86	4,901.96	35,904.04	417,498.56
1/1/87	5,318.62	35,487.38	412,179.94
7/1/87	5,770.71	35,035.29	406,409.23
1/1/88	6,261.22	34,544.78	400,148.02
7/1/88	6,793.42	34,012.58	393,354.60
12/31/88	7,370.86	33,435.14	385,983.74

Sundale Sewer Corp.
Staff Adjustment to Lease Payment
For The Test Year Ending December 31, 1987

Date	Principal	Interest	Balance
(A)	(B)	(C)	(D)
1/1/89	\$0.00	\$0.00	\$385,983.74
7/1/89	5,770.45	22,580.05	380,213.29
1/1/90	6,108.02	22,242.48	374,105.26
7/1/90	6,465.34	21,885.16	367,639.92
1/1/91	6,843.56	21,506.94	360,796.36
7/1/91	7,243.91	21,106.59	353,552.44
1/1/92	7,667.68	20,682.82	345,884.76
7/1/92	8,116.24	20,234.26	337,768.52
1/1/93	8,591.04	19,759.46	329,177.48
7/1/93	9,093.62	19,256.88	320,083.86
1/1/94	9,625.59	18,724.91	310,458.27
7/1/94	10,188.69	18,161.81	300,269.58
1/1/95	10,784.73	17,565.77	289,484.85
7/1/95	11,415.64	16,934.86	278,069.21
1/1/96	12,083.45	16,267.05	265,985.76
7/1/96	12,790.33	15,560.17	253,195.42
1/1/97	13,538.57	14,811.93	239,656.86
7/1/97	14,330.57	14,019.93	225,326.28
1/1/98	15,168.91	13,181.59	210,157.37
7/1/98	16,056.29	12,294.21	194,101.08
1/1/99	16,995.59	11,354.91	177,105.49
7/1/99	17,989.83	10,360.67	159,115.66
1/1/00	19,042.23	9,308.27	140,073.43
7/1/00	20,156.20	8,194.30	119,917.22
1/1/01	21,335.34	7,015.16	98,581.88
7/1/01	22,583.46	5,767.04	75,998.42
1/1/02	23,904.59	4,445.91	52,093.83
7/1/02	25,303.01	3,047.49	26,790.82
12/31/02	26,783.24	1,567.26	7.58

Lease payment per Staff	56,701
Lease payment per Company	(\$81,612)
Staff adjustment to reduce lease payment	(\$24,911)

SUNDALE UTILITIES, INC.
WASHINGTON ESTATES SEWER DIVISION
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 1999

	Staff Pro Forma Proposed	Company Adjustments	Adjustment To Proposed Increase	Company Proforma Proposed	Revenue Change	Percent Revenue Change
Operating Revenues	\$98,103		\$5,202	\$103,305	\$5,202	5.30%
Uncollectible Accounts	131			131		
Salaries & Wages (3)	24,045	5,202		29,247		
Purchased Power	14,781			14,781		
Chemicals	1,513			1,513		
Rental: Bldg & Real Property	7,800			7,800		
Transportation	838			838		
Insurance	798			798		
Miscellaneous	14,071			14,071		
Taxes other than Income	2,298			2,298		
Depreciation	7,708			7,708		
Rate Case Amortization	263			263		
Total Operating Expense						
Before Income Taxes	74,246			79,448		
State Income Tax	1,017			1,017		
Federal Income Tax	1,970			1,970		
Total Operating Expenses	77,233			82,435		
NET OPERATING INCOME	\$20,870			\$20,870		
Staff Rate Base (1)				\$229,278		
Staff Overall Rate of Return (2)				9.10%		

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.03B, Column (D)

(2) Source: ICC Staff Exhibit 2.00, Schedule 2.07

(3) Source: Company Exhibit 2, Column F

SUNDALE UTILITIES, INC.
WASHINGTON ESTATES WATER DIVISION
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 1999

	Staff Pro Forma Proposed	Company Adjustments	Adjustment To Proposed Increase	Company Proforma Proposed	Revenue Change	Percent Revenue Change
Operating Revenues	\$98,017		\$5,202	\$103,219	\$5,202	5.31%
Uncollectible Accounts	130			130		
Salaries & Wages (3)	24,045	5,202		29,247		
Purchased Power	11,053			11,053		
Chemicals	1,513			1,513		
Rental: Bldg & Real Property	600			600		
Transportation	838			838		
Insurance	798			798		
Miscellaneous	8,415			8,415		
Taxes other than Income	2,298			2,298		
Depreciation	10,986			10,986		
Rate Case Amortization	263			263		
Total Operating Expense						
Before Income Taxes	60,939			66,141		
State Income Tax	1,579			1,579		
Federal Income Tax	3,063			3,063		
Total Operating Expenses	65,581			70,783		
NET OPERATING INCOME	\$32,436			\$32,436		
Staff Rate Base (1)				\$356,334		
Staff Overall Rate of Return (2)				9.10%		

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.03C, Column (D)

(2) Source: ICC Staff Exhibit 2.00, Schedule 2.07

(3) Source: Company Exhibit 2, Column G

Docket Nos. 00-0513/00-0514 Consolidated
Company Exhibit 7

COMPANY'S PROPOSED RATES AND REVENUE
SUNDALE UTILITIES, INC.
SUNDALE SEWER SERVICE AREA

	Per Company		
	Billing Units	Rate	Revenue
CUSTOMER CHARGES			
Residential Nonmetered	10,140	\$31.99	\$324,379
SUBTOTAL			<u>\$324,379</u>
USAGE CHARGES			
Commercial Metered - Minimum	192	\$31.99	\$6,142
Commercial Metered - > 5,000 GPM	2,915.28	\$2.88	\$8,396
SUBTOTAL			<u>\$14,538</u>
OTHER REVENUE			
Late Payment Charge			\$1,155
Non Sufficient Funds			<u>\$60</u>
SUBTOTAL			<u>\$1,215</u>
TOTAL REVENUE			<u><u>\$340,132</u></u>

Docket Nos. 00-0513/00-0514 Consolidated
Company Exhibit 8

COMPANY'S PROPOSED RATES AND REVENUE
SUNDALE UTILITIES, INC.
WASHINGTON ESTATES SEWER SERVICE AREA

	Per Company		
	Billing Units	Rate	Revenue
CUSTOMER CHARGES			
Residential/Commercial	5,664	\$4.15	\$23,506
SUBTOTAL			<u>\$23,506</u>
USAGE CHARGES			
Residential/Commercial < 25,000GPM	32,657	\$2.32	\$75,764
Residential/Commercial > 25,000 GPM	1,972	\$2.05	\$4,043
SUBTOTAL			<u>\$79,807</u>
OTHER REVENUE			
Late Payment Charge			\$221
Non Sufficient Funds			<u>\$38</u>
SUBTOTAL			<u>\$259</u>
TOTAL REVENUE			<u><u>\$103,571</u></u>

Docket Nos. 00-0513/00-0514 Consolidated
Company Exhibit 9

COMPANY'S PROPOSED RATES AND REVENUE
SUNDALE UTILITIES, INC.
WASHINGTON ESTATES WATER SERVICE AREA

	Per Company		
	Billing Units	Rate	Revenue
CUSTOMER CHARGES			
Residential/Commercial	5,664	\$5.00	\$28,320
SUBTOTAL			<u>\$28,320</u>
USAGE CHARGES			
Residential/Commercial < 25,000GPM	32,657	\$2.18	\$71,192
Residential/Commercial > 25,000 GPM	1,972	\$1.76	\$3,471
SUBTOTAL			<u>\$74,663</u>
OTHER REVENUE			
Late Payment Charge			\$218
Non Sufficient Funds			\$38
SUBTOTAL			<u>\$256</u>
TOTAL REVENUE			<u><u>\$103,239</u></u>

SUNDALE UTILITIES, INC.
SUNDALE SEWER DIVISION
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2002

	Staff	Adjustment	Company	Percent
	Pro Forma	To	Proforma	Revenue
	Proposed	Proposed	Proposed	Change
		Increase		Change
Operating Revenues	\$340,227	(\$56,701)	\$283,526	(\$56,701) -16.67%
Uncollectible Accounts	196		196	
Salaries & Wages (3)	108,631		108,631	
Purchased Power	27,287		27,287	
Fuel for Power Production	3,101		3,101	
Rental: Bldg & Real Property	69,601	(56,701)	12,900	
Transportation	2,881		2,881	
Insurance	7,175		7,175	
Miscellaneous	79,235		79,235	
Taxes other than Income	9,909		9,909	
Depreciation	10,976		10,976	
Rate Case Amortization	974		974	
Total Operating Expense				
Before Income Taxes	319,966		263,265	
State Income Tax	864		864	
Federal Income Tax	1,671		1,671	
Total Operating Expenses	322,501		265,800	
NET OPERATING INCOME	\$17,726		\$17,726	
Staff Rate Base (1)			\$194,732	
Staff Overall Rate of Return (2)			9.10%	

(1) Source: ICC Staff Exhibit 1.00, Schedule 1.03A, Column (D)

(2) Source: ICC Staff Exhibit 2.00, Schedule 2.07

Docket Nos. 00-0513/00-0514 Consolidated
Company Exhibit 11

COMPANY'S PROPOSED RATES AND REVENUE
SUNDALE UTILITIES, INC.
SUNDALE SEWER SERVICE AREA
EFFECTIVE 1/1/03

		Per Company	
	Billing Units	Rate	Revenue
CUSTOMER CHARGES			
Residential Nonmetered	10,140	\$26.51	\$268,811
SUBTOTAL			<u>\$268,811</u>
USAGE CHARGES			
Commercial Metered - Minimum	192	\$26.51	\$5,090
Commercial Metered - > 5,000 GPM	2,915.28	\$2.88	\$8,396
SUBTOTAL			<u>\$13,486</u>
OTHER REVENUE			
Late Payment Charge			\$1,155
Non Sufficient Funds			<u>\$60</u>
SUBTOTAL			<u>\$1,215</u>
TOTAL REVENUE			<u><u>\$283,512</u></u>